



External Quality Control Review

Peer Review of the
Suffolk County Comptroller's
Office - Audit Division

Conducted in accordance with guidelines of the
**Association of Local Government
Auditors**

for the period December 1, 2015 through
November 30, 2018



Association of Local Government Auditors

December 6, 2018

Honorable John M. Kennedy, Jr.
Suffolk County Comptroller
H. Lee Dennison Executive Office Building
100 Veterans Memorial Highway, P.O. Box 6100
Hauppauge, NY 11788-0099

Dear Comptroller Kennedy,

We have completed a peer review of the Suffolk County Comptroller's Office – Audit Division for the period from December 1, 2015 through November 30, 2018. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* published by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine whether your internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures included:

- Reviewing the audit organization's written policies and procedures.
- Reviewing a sample of audit and non-audit service engagements and working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff and management to assess their understanding of, and compliance with, relevant quality control policies and procedures.

Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the results of our review, it is our opinion that the Suffolk County Comptroller's Office – Audit Division internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audit engagements during the period from December 1, 2015 through November 30, 2018.

We have prepared a separate letter offering suggestions to further strengthen your internal quality control system.

Brian Parks, CIA, CGAP
City of Jacksonville
City Council Auditor's Office

Maria Nickerson
Port Authority of Allegheny
County

Lynn A. Smith, CIA, CRMA
Johnson County Government



Association of Local Government Auditors

December 6, 2018

Honorable John M. Kennedy, Jr.
Suffolk County Comptroller
H. Lee Dennison Executive Office Building
100 Veterans Memorial Highway, P.O. Box 6100
Hauppauge, NY 11788-0099

Dear Comptroller Kennedy,

We have completed a peer review of the Suffolk County Comptroller's Office – Audit Division for the period December 1, 2015 through November 30, 2018 and issued our report thereon dated December 6, 2018. We are issuing this companion letter to offer certain observations and suggestions stemming from our peer review.

We would like to mention some of the areas in which we believe your office excels:

- **Staff Development** - The Department has a well-established staff development process providing employees the opportunity to gain knowledge and skill, which includes mentoring of recently hired/new employees utilizing more senior/supervisory staff, a performance evaluation process to assist with improving employee overall effectiveness and a proactive continuing education process providing in-house training.
- **Audit Documentation** - Audit documentation, in connection with each of the engagements selected for review, was in ample detail to assist in providing a clear understanding of the work performed. Reviewer forms captured the written documentation to evidence professional judgment and supervisory review and direction of workpaper processes to ensure audit objectives were met satisfactorily. These forms were notably detailed to provide a very good sense of the critical elements included in each workpaper and how these elements were discussed and vetted from a supervisory and sufficiency of evidence perspective.
- **Employee Retention** - The Department has an established staff with longevity which ultimately assist with overall employee and audit productivity, efficiency and effectiveness.

We offer the following observations and suggestions to enhance your organization's demonstrated adherence to *Government Auditing Standards*:

- Standard 3.25 requires that the audit organization decline or terminate audit work if it is not able to reduce the threat to independence to an acceptable level. We observed that this was not discussed in the audit manual.

We recommend that the office add procedures to the audit manual related to the need to decline or terminate audit work in instances where a threat cannot be reduced to an acceptable level.

- Standard 3.34 requires that before an auditor agrees to provide a nonaudit service to an audited entity, the auditor should determine whether providing such a service would create a threat to independence, either by itself or in aggregate with other nonaudit services provided, with respect to any GAGAS audit it performs. Although we did observe instances where this review occurred and was documented, we did observe instances where it was not documented.

We recommend that the office add procedures to the audit manual related to nonaudit services and the evaluation that needs to occur and be documented prior to accepting a nonaudit service.

- Standard 3.44 requires that when performance of a required nonaudit service could impair independence with respect to a required audit, disclose the nature of threats that could not be eliminated or reduced to an acceptable level and modify the GAGAS statement accordingly in the audit report. We observed there was nothing in the audit manual to address this consideration and given the significant amount of nonaudit services provided this was a concern.

We recommend that the office add procedures to the audit manual related to how to document and modify the GAGAS compliance statement in an audit report when a required nonaudit service impacted independence of a required audit.

- Standard 3.95 requires that the audit organization analyze and summarize the results of its monitoring process at least annually, with identification of any systemic or repetitive issues needing improvement, along with recommendations for corrective action. The audit organization should communicate to appropriate personnel any deficiencies noted during the monitoring process and make recommendations for appropriate remedial action. We did not see evidence that this was occurring on an annual basis.

We recommend that the office add procedures to the audit manual for this type of review and that it be performed and documented on an annual basis.

- Standard 7.13 requires that when sampling significantly supports the auditors' findings, conclusions, or recommendations, they should describe the sample design and state why the design was chosen, including whether the results can be projected to the intended population. In reviewing the office's manual and a select sample of audit engagements we observed that this was not made clear in the audit reports and there was not a requirement within the audit manual.

We recommend that language be added to the audit manual to clearly state in the audit report as to whether results of the sample can be extrapolated to the entire population.

We extend our thanks to you, your staff and the other county officials we met for the hospitality and cooperation extended to us during our review.

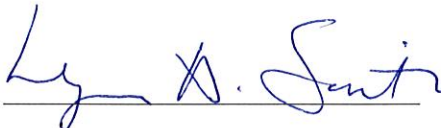
Sincerely,



Brian Parks, CIA, CGAP
City of Jacksonville
City Council Auditor's Office



Maria Nickerson
Port Authority of Allegheny
County



Lynn A. Smith, CIA, CRMA
Johnson County Government

COUNTY OF SUFFOLK



OFFICE OF THE COUNTY COMPTROLLER

JOHN M. KENNEDY, JR.
Comptroller

December 10, 2018

Mr. Brian Parks, CIA, CGAP
Peer Review Team Leader
City of Jacksonville
City Council Auditor's Office
117 Duval Street, Ste. 200
Jacksonville, FL 32202

Dear Mr. Parks:

Thank you for performing the Association of Local Government Auditors (ALGA) Peer Review of the Suffolk County Comptroller's Audit Division for the period December 1, 2015 through November 30, 2018.

We are pleased that your review found that our internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards for audit reports issued during the period of review. We concur with the team's observations and suggestions noted in the companion letter and will implement the changes recommended.

We would like to extend our appreciation to you, Maria Nickerson and Lynn A. Smith for conducting an effective and professional review. We found it to be a valuable and constructive process and sincerely thank the team for the thoughtful insights that you shared with us from your experiences.

Sincerely,

Louis A. Necroto, CPA
Chief Deputy County Comptroller

JK/ns

cc: John M. Kennedy, Jr., Suffolk County Comptroller
Frank Bayer, CPA, Executive Director of Auditing Services
Manuel Alban, CPA, Assistant Director of Auditing Services